

**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT

OF

COUNTY SHERIFF

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED

06/11/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
County Officials	2
Transmittal Letter	3
Examination Results and Comments:	
Bank Account Reconciliations	4
Condition of Records	4
Deposits	4
Inmate Trust Records	4
Internal Controls	5
Late Payments	5
Prescribed Forms	5
Public Records Retention	5-6
Supporting Documentation	6
Exit Conference	7
Official Response	8-9

COUNTY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Sheriff	Michael W. Heaton	03-31-05 to 12-31-10
President of the Board of County Commissioners	Charles Brown	01-01-06 to 12-31-07
President of the County Council	Larry Moss Mike McCullough	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF CLAY COUNTY

We have examined the records of the County Sheriff for the period from January 1, 2006 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Examination Results and Comments. The financial transactions of this office are reflected in the Examination Report of Clay County for the year 2006.

STATE BOARD OF ACCOUNTS

May 10, 2007

COUNTY SHERIFF
CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination or were incorrect.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Inmate Trust Fund and Commissary Funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day; also several checks received throughout 2006 were not deposited until 2007.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

INMATE TRUST RECORDS

Individual inmate records are kept as a subsidiary record to the Inmate Trust Ledger. The ledger currently reconciles with the bank, but the subsidiary records do not agree to the ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Counties of Indiana, Chapter 1)

COUNTY SHERIFF
CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient due to the ability to change posted information without the benefit of a separate correcting transaction.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 2)

LATE PAYMENTS

In some cases amounts payable to vendors and other suppliers of goods and services are not being paid until three months after the invoice dates.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

PRESCRIBED FORMS

The County Sheriff used Quicken software for posting transactions; the prescribed form, the Sheriff Cash Book was not used.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

PUBLIC RECORDS RETENTION

The Commissary ledger and duplicate checks were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

COUNTY SHERIFF
CLAY COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 3)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Counties, Chapter 1)

COUNTY SHERIFF
CLAY COUNTY
EXIT CONFERENCE

The contents of this report were discussed on May 10, 2007, with Michael W. Heaton, Sheriff, and Dee Smiley, Matron.

The official response has been made a part of this report and may be found on pages 8 and 9.

Clay County

Michael W. Heaton,
Sheriff



SHERIFF

INDIANA

May 16, 2007

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE

To Whom It May Concern:

This letter is in response to the exit conference between the Clay County Sheriff's Department and the Clay County Jail Commissary with the State Board of Accounts Field Examiner.

Upon accepting the appointment as Clay County Sheriff in February 2005, I took over, what I believed to be a properly managed department. I depended on the matron for the correct and proper operation of the administrative and bookkeeping of department finances. While attending the Newly Elected Sheriff School after my successful election to the office in November 2006 I realized several areas of concern regarding my matron's performance. Many examples of laws and policies regarding proper administration of department record keeping and the handling of county finances were addressed at this time.

Upon my return from the school I investigated areas of the matron's duties and found alarming discrepancies. Some of these included, several past due accounts, lost accountings, missing or misplaced official records, poor or no accounting of payroll policies etc... I immediately terminated the employment of the former matron, and hired a new one with prior experience in the duties. I also notified the State Board of Accounts and requested an immediate audit to determine the depth of the problems and to start the new year with accurate accounts and funds.

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Clay County

Michael W. Heaton,
Sheriff



SHERIFF

INDIANA

During the State Board of Accounts Audit, we were eager to learn the proper way to manage department financing and record keeping. Policies and procedures have been established to accomplish this task. We have also split the duties between the Chief Deputy, Matron, and a clerk whose primary responsibility is the handling of jail commissary.

I'd also like to take this opportunity to express my sincere thanks and appreciation of the State Board of Accounts examiner in taking the time and patience in assisting us in this audit.

Sincerely,

A handwritten signature in cursive script, appearing to read "Michael W. Heaton".

Michael W. Heaton
Sheriff Clay County Indiana

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